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LEASE AGREEMENT

This lease agreement is made and entered into on the dates acknowledged by the parties executing this agreement, and is to be effective as of the commencement date of the term of the lease. Lessor is Anthony Zanakos, a resident of Harris County, Texas. Lessee is Chromalloy American Corporation, Gulfco Division, a business corporation.

I. DEMISE OF LEASE PREMISES

1.1 Lessor for and in consideration of the rents, covenants and promises herein contained to be performed by Lessee, does hereby lease and demise to Lessee, and Lessee does hereby rent and accept from Lessor, the following described property situated in Brazoria County, Texas:

Tract No. 23, of Brazos Coast Investment Company Subdivision No. 8, F. J. Calvit League, Abstract 51, Brazoria County, Texas, according to the map or plat thereof duly of record in the plat records of Brazoria County, Texas, to which reference here is made for all appropriate purposes.

1.2 This lease is of the surface only of the described premises and Lessee takes the premises subject to all easements or restrictions of record or visible, and subject to all valid zoning laws.

II. LEASE TERM

2.1 This lease shall be for a term of one hundred and eighty months, referred to as the lease term, commencing on November 20, 1976 and ending on November 19, 1991; subject, however, to earlier termination as hereinafter provided.

2.2 If Lessee shall hold over after the expiration of the lease term, or any extension, such tenancy shall be from month to month on all the terms, covenants and conditions of this lease.

III. RENT

3.1 Lessee agrees to pay to Lessor as rental for the use and occupancy of the lease premises under this lease a rental, calculated below, payable in monthly installments

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in advance on the twentieth day of each month, the first month's rental payment due on November 20, 1976. When the twentieth day of the month falls on a Sunday or a national holiday, the rental shall be payable on the next day thereafter which is neither a Sunday nor a national holiday.

3.2 The base rent shall be \$400.00 per month for the first twelve months. For the second and each succeeding twelve month period of the lease, the base rent shall be the previous year's total rent calculated in accordance with the formula set out in 3.3 below.

3.3 In addition to the base rent, for the second twelve month period and each twelve month period thereafter, there shall be a rent increment based upon 60% of the increase or decrease in the U. S. Government wholesale price index. The increase or decrease shall be the percentage by which the average index for August, September and October of the preceding twelve month period differs from the index for November, 1976, multiplied by the base rent for each month of the twelve month period in question. Provided, however, in no event shall the total rent ever be less than the initial year's base rent of \$400.00 per month.

**Examples:**

(a) For lease year 11/20/77 - 11/19/78 (index 11/76 was 150):

<u>month</u>	<u>index</u>	<u>increase</u>	<u>percentage</u>
8/77	166.5	16.5	11%
9/77	165	15	10%
10/77	163.5	13.5	9%
			3) <u>30%</u>

Average increase      10%

$.10 \times .6 = .06$  (60% of average increase)

$1.06 \times \text{base } 400 = \$424.00$

(b) For lease year 11/20/78 - 11/19/79 (index 11/76 was 150):

<u>month</u>	<u>index</u>	<u>increase</u>	<u>percentage</u>
8/78	171	21	14%
9/78	172.5	22.5	15%
10/78	174	24	<u>16%</u>
			3) <u>45%</u>
Average increase			15%

$$.15 \times .6 = .09$$

$$1.09 \times \text{base } 424 = \$462.16$$

(c) For lease year 11/20/79 - 11/19/80 (index 11/76 was 150):

<u>month</u>	<u>index</u>	<u>decrease</u>	<u>percentage</u>
8/79	135	15	10%
9/79	136.5	13.5	9%
10/79	133.5	16.5	<u>11%</u>
			3) <u>30%</u>
Average decrease			10%

$$.10 \times .6 = .06$$

$$1.00 - .06 = .94 \times \text{base } 462.16 = \$434.43$$

3.4 Rental installments shall be paid to Lessor at the notice address set out hereafter.

3.5 Time is of the essence in rental payments. Acceptance of one or more late rental payments by Lessor shall not waive the requirement for timely payment of future rental payments. Checks are acceptable payment, but should payment of a check be refused by Lessee's bank for any reason, such check shall not be considered payment for any purpose.

#### IV. BONUS PAYMENT

In addition to the rental, Lessee shall make a single payment to Lessor, on or before January 1st, 1977, of the sum of \$5,000.00 as additional inducement to Lessor for entering into this lease and in compensation for certain expenses and forbearance of Lessor prior to the beginning date of the lease.

V. TAXES

5.1 In addition to the rental, Lessee shall pay and discharge all ad valorem taxes and general and special assessments which during the term of this lease may be levied on or assessed against the leased premises and all interests therein and all improvements in other property thereon, whether belonging to Lessor or to Lessee, or to which either of them may become liable. Lessee shall pay all such ad valorem taxes and assessments to the public officer charged with the collection thereof not less than fifteen days before the same shall become delinquent, unless he agrees to indemnify and save harmless Lessor from all such ad valorem taxes, assessments, and penalties for delinquency. Lessee shall have the right at its sole cost and expense to contest any such ad valorem taxes and assessments.

5.2 Subject to the right of the Lessee to contest ad valorem taxes and assessments as above provided, Lessor may at any time that the payment of any such items which Lessee is obligated to pay remains unpaid give written notice to Lessee of its default. If Lessee continues to fail to pay such items or to contest the same in good faith, then at any time after 30 days from such written notice, Lessor may pay the items specified in the notice and Lessee covenants on demand to reimburse and pay Lessor any amount so paid or expended in the payment of the items specified in the notice, with interest thereon at the rate of 10% per annum from the date of such payment by Lessor until repaid by Lessee. If Lessor pays any such item which has not been paid by Lessee within the time required without giving the 30 days notice above provided for, Lessee shall nevertheless reimburse Lessor for such item, but without interest.

VI. UTILITIES

Lessee shall pay or cause to be paid all charges for water, heat, gas, electricity, sewers and any and all other utilities used on the lease premises throughout the term of this lease, including any connection fees.

VII. USE OF PREMISES

Lessee shall have the right to use the leased premises for any lawful purposes.

VIII. CONSTRUCTION BY LESSEE

8.1 Lessee shall have the right at any time and from time to time during the term of this lease to erect, maintain, alter, remodel, reconstruct, rebuild, replace and remove buildings and other improvements on the leased premises, to alter the contour of the leased premises provided such alteration does not increase the possibility of flooding or erosion, and to dredge slips and canals provided such slips and canals are at all times maintained as private waterways and do not substantially reduce the area of the leased premises.

8.2 The cost of any such construction, reconstruction, demolition, change or improvements shall be borne and paid for by Lessee.

8.3 Lessee agrees to have all mechanic's and materialmen's liens removed within a reasonable time and before execution and levy if any are filed.

8.4 Lessee shall have the right at any time during Lessee's occupancy of the leased premises, or within a reasonable time thereafter, to remove any and all buildings, improvements, fixtures, and all equipment owned or placed by Lessee, its sublessees or licensees, on, under or in the leased premises. Lessee shall have the obligation to remove such buildings, improvements, fixtures and equipment owned or placed by Lessees, its sublessees or licensees,

within a reasonable time after termination of the lease upon written demand by Lessor. Any buildings, improvements, fixtures or equipment which are not removed shall become the property of Lessor.

IX. CONDEMNATION

9.1 In the event the leased premises or any part thereof shall be taken for public or quasi-public purposes by condemnation as a result of any action or proceeding in eminent domain, or shall be transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, the interests of Lessor and Lessee in the award or consideration for such transfer and the effect of the taking or transfer on this lease shall be as provided by this article.

9.2 In the event the entire leased premises is taken or so transferred, this lease and all of the right, title and interest thereunder shall cease on the date title to such land so taken or transferred vests in the condemning authority. The proceeds of such condemnation attributable to the land shall be divided during the first year of this lease, 85% to Lessor and 15% to Lessee; and for condemnations occurring during subsequent years of the lease, the amount received by Lessee shall be 1% less for each year that the lease has been in force. The proceeds attributable to improvements shall be awarded 100% to Lessee.

9.3 In the event of the taking or transfer of only a part of the leased premises leaving the remainder of the premises in such location and in such form, shape or reduced size as to be not effectively and practicably usable in the opinion of Lessee for the purpose of operation thereon of Lessee's business, this lease and all right, title and interest thereunder shall cease on the date title to the land or the portion thereof so taken or transferred vests in the condemning authority. The proceeds of such condemnation

shall be divided in the same manner as when the entire leased premises is condemned.

9.4 In the event of such taking or transfer of only a part of the leased premises, leaving the remainder of the premises in such location and in such form, shape or size as to be used effectively and practicably in the opinion of Lessee for the purpose of operation thereon of Lessee's business, this lease shall terminate and end as to the portion of the premises so taken or transferred as of the date title to such portion vests in the condemning authority, but shall continue in full force and effect as to the portion of the leased premises not so taken or transferred. From and after such date, the rental required to be paid by Lessee to Lessor shall be reduced during the unexpired portion of this lease to that proportion of the monthly rental heretofore set out which the value of the part of the leased premises not so taken bears to the value of the total of the leased premises (both such values excluding the value of improvements), such values to be determined as of the date of the actual commencement of the physical taking of said premises when Lessee is disturbed in its possession as a result thereof but immediately before any actual taking. Such values shall be determined by arbitration.

9.5 A voluntary conveyance by Lessor to a public utility, agency or authority under threat of a taking under the power of eminent domain in lieu of formal proceedings shall be deemed a taking within the meaning of this article.

#### X. INDEMNITY

Lessor shall not be liable for any loss, damage or injury of any kind or character to any person or property arising from any use or maintenance of the leased premises or any part thereof, or caused by any defect in any building,

structure or other improvement thereon or in any equipment or other facility therein, or caused by or arising from any act or omission of Lessee or any of Lessee's agents, employees, licensees or invitees, or by or from any accident on the land or any fire or other casualty thereon, or occasioned by the failure of Lessee to maintain the premises in safe condition, or arising from any other cause whatsoever. Lessee hereby waives on its behalf and on behalf of any of Lessee's insurers or other subrogees all claims and demands against Lessor for any such loss, damage or injury of Lessee. Lessee hereby agrees to indemnify and hold Lessor entirely free and harmless from all liability for any such loss, damage or injury of other persons or other property, and from all costs and expenses arising therefrom.

Lessor hereby agrees to indemnify and hold Lessee entirely free and harmless from all liability for any loss, damage or injury of other persons or property and from all costs and expenses arising therefrom if loss or damage results from negligence of Lessor, his agents, employees or representatives.

#### XI. ASSIGNMENT AND SUBLEASE

Lessee may sell or assign its leasehold estate in its entirety or any portion of the unexpired term thereof, or may sublet the leased premises or any portion of the same from time to time, and the rights of Lessee, or any successor or assignee of Lessee, may pass by operation of law. Each such transfer, assignment or sale shall be subject, however, to the obligations to Lessor as set forth in this instrument and shall not release Lessee of its obligations hereunder.

#### XII. DEFAULT AND REMEDIES

12.1 Should Lessee default in the performance of any covenant or agreement in this lease, and such default is



not corrected within 30 days after receipt of written notice from Lessor to Lessee, Lessor may declare this lease, and all rights and interests created by it, to be terminated. Upon Lessor's election to terminate, this lease shall cease and come to an end as if that were the day originally affixed herein for the expiration of the term hereof. Lessor, his agent or attorney, may resume possession of the premises and relet the same for the remainder of the term for the best rent Lessor, his agent or attorney, may obtain for the account of Lessee, who shall make good any deficiency.

12.2 Any termination of this lease as herein provided shall not relieve Lessee from the payment of any sum or sums that shall then be due and payable to Lessor hereunder, or any claim for damages then or theretofore accruing against Lessee hereunder, and any such termination shall not prevent Lessor from enforcing the payment of any such sum or sums or claim for damages by any remedy provided for by law, or from recovering damages from Lessee for any default thereunder. All rights, options and remedies of Lessor contained in this lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Lessor shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this lease. No waiver by Lessor of a breach of any of the covenants, conditions or restrictions of this lease shall be construed or held to be a waiver of any succeeding or preceding breach of the same or any other covenant, condition or restriction contained herein.

12.3 Notwithstanding the exercise by Lessor of any remedy, the same shall not affect the existence of subleases covering any portion of the leased premises entered into with Lessee, in accordance with the terms of this lease.

XIII. MISCELLANEOUS

13.1 All rents or other sums, notices, demands or requests from one party to another may be personally delivered or sent by mail, certified or registered, postage prepaid, to the addresses stated in this paragraph, and shall be deemed to have been given at the time of personal delivery or upon the date of receipt.

To Lessor: 1234 Choate Road, Houston, Texas 77034, or at such other address as Lessor shall request in writing.

To Lessee: Drawer O, Freeport, Texas 77541, or at such other address as Lessee shall request in writing.

13.2 This agreement shall be binding upon and inure to the benefit of the parties hereto and the respective heirs, executors, administrators, legal representatives, successors and assigns where permitted by this agreement.

13.3 This agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Brazoria County, Texas.

13.4 In case any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

13.5 This agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

13.6 No amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof, duly executed and acknowledged by the parties hereto.

13.7 In the event Lessor or Lessee breaches any of the terms of this agreement whereby the party not in default employs attorneys to protect or enforce its rights hereunder and prevails, then the defaulting party agrees to pay the other party reasonable attorney's fees so incurred by such other party.

13.8 Lessor agrees to release Lessee from any liability for erosion to the leased premises not caused by Lessee's use of the premises.

XIV. OPTION TO PURCHASE

At any time during the term hereof, Lessee shall have the right and option to purchase the fee simple title to the leased premises, free and clear of all liens and encumbrances, at a cash price to be agreed upon by the parties. In the event Lessee elects to purchase the leased premises it shall give the Lessor thirty (30) days advance notice thereof, and not later than thirty (30) days thereafter the parties shall close the transaction through the Brazosport Abstract Company or any such other title company as Lessee shall select. At the closing Lessor shall deliver to Lessee, upon receipt of such cash consideration, a general warranty deed to the leased premises, free and clear of all liens and encumbrances and a policy of title insurance, issued by a company of Lessee's choosing, in the full amount of the purchase price guaranteeing title in Lessee, subject only to such easements, right-of-way, and mineral exceptions as are in effect on the date hereof. If such title insurance company refuses to issue such policy because of title defects, then Lessor shall have a period of forty-five (45) days thereafter to cure said defects. In the event such defects are not cured within such time, then Lessee shall have the right to waive such defects and accept the premises without such policy of title insurance or to rescind such option to purchase. If Lessee purchases the leased premises

then this lease shall terminate on the date of such purchase and both parties hereto shall be released of any and all obligations hereunder except those accruing prior to such expiration date. If said purchase option is rescinded as hereinabove provided, or if the parties are unable to agree upon a price, and the Lessee does not purchase said leased premises from Lessor, then this lease shall remain in full force and effect.

LESSOR

Anthony Zanakos  
Anthony Zanakos

LESSEE

CHROMALLOY AMERICAN CORPORATION,  
GULFCO DIVISION

By B. L. Tanner  
B. L. Tanner, President

STATE OF TEXAS        §  
COUNTY OF BRAZORIA    §

BEFORE ME, the undersigned authority, on this day personally appeared Anthony Zanakos, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 7<sup>th</sup>  
day of January, 1977.

Betty J. Murrell  
Notary Public in and for Brazoria  
County, Texas

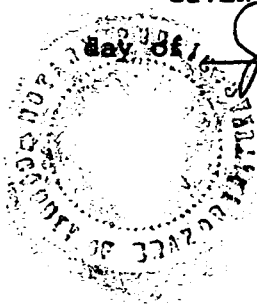
BETTYE J. MURRELL  
Notary Public  
Brazoria County, Texas

STATE OF TEXAS        §  
COUNTY OF BRAZORIA    §

BEFORE ME, the undersigned authority, a Notary Public of Brazoria County, Texas, on this day personally appeared

B. L. Tanner of Chromalloy American Corporation, Gulfco Division, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Chromalloy American Corporation, Gulfco Division, a corporation, that he was duly authorized to perform the same by appropriate resolution of the board of directors of such corporation and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 7<sup>th</sup>



day of January, 1977.

Betty J. Murrell  
Notary Public in and for Brazoria  
County, Texas

BETTY J. MURRELL  
Notary Public  
Brazoria County, Texas

FILED FOR RECORD  
AT 10:12 O'CLOCK A M

FEB 27 1980

H.R. STEVENS, JR.  
CLERK COUNTY COURT, BRAZORIA CO., TEX.  
BY H.R. Stevens DEPUTY